STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY d/b/a Ameren Illinois Petitioner	)))	
	)	Docket No. 13-0476
Revenue-neutral tariff changes related to rate design.	))	

EXCEPTIONS AND BRIEF ON EXCEPTIONS OF THE PEOPLE OF THE STATE OF ILLINOIS

The People of the State of Illinois

By LISA MADIGAN, Attorney General

Susan L. Satter
Sameer H. Doshi
Assistant Attorneys General
Public Utilities Bureau
Illinois Attorney General's Office
100 West Randolph Street, 11th fl.
Chicago, Illinois 60601
Telephone: (312) 814-1104 (Satter)
Telephone: (312) 814-8496 (Doshi)
Facsimile: (312) 812-3212
E-mail: ssatter@atg.state.il.us
E-mail: sdoshi@atg.state.il.us

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NOW COME the People of the State of Illinois ("AG" or "the People"), by and through Lisa Madigan, Attorney General of the State of Illinois, pursuant to Part 200.830 of the Illinois Commerce Commission's ("the Commission") rules, 83 Ill. Adm. Code Part 200.830, and in accordance with the schedule established in this docket, hereby file their Brief on Exceptions and Exceptions to the Proposed Order ("PO") issued by the Administrative Law Judges (ALJs) in the above-captioned docket on February 4, 2014, which will establish new revenue-neutral tariff changes related to electric distribution service rate design for Ameren Illinois Company ("Ameren" or "AIC" or "the Company").

I. INTRODUCTION

The People support major portions of the Proposed Order issued by the ALJs on February 4, 2014, as it correctly considers the evidence in the record and makes careful determinations on numerous complex issues. The Proposed Order generally establishes a fair and equitable rate design for the Company's electric distribution service, pursuant to Section 1-102(d)(iii) of the Public Utilities Act.

The People take exception to one conclusion in the Proposed Order regarding the ending of the Electricity Distribution Tax ("EDT") subsidy given to DS-4 customers, as discussed below. The EDT subsidy should be ended immediately, rather than several years from now.

II. Exception No. 1: Treatment of Electricity Distribution Tax

The People take exception to the ALJs' decision in the Proposed Order at 61-63 to deny their proposal that would immediately end the EDT subsidy given to DS-4 customers, effective with January 1, 2015 rates. As the ALJs found in the Proposed Order at 62, "[t]he AG's rationale for an immediate end to the subsidies is well-founded." Moreover, to the extent that certain parties may be concerned about the dollar amount of rate increase that would be experienced by DS-4 customers under the People's proposal, "the magnitude of the rate increases for the DS-4 class is a direct result of the magnitude of the subsidies." *Id.* Rather than including the EDT subsidy phase-out in the Company's three-part rate mitigation approach (or the modified three-tier approach offered by the Commercial Group and offered in the alternative by Staff), the Commission should end the EDT subsidy immediately. While the DS-4 customer class is responsible for approximately 41.7% of electricity usage, it contributes only approximately 10% of the Company's EDT-related revenue. AG Ini. Br. at 9; AIC Ex. 1.0 at 22:454-455. As Company witness Jones averred, all customer classes and subclasses should pay the same average per-kWh EDT charge. AIC Ex. 1.0 at 22:441-443. All customer classes other than DS-4 have been subsidizing DS-4 customers' responsibility for the Company's EDT since the EDT was enacted in 1997. AG Ex. 1.0 at 8:169-170. It is long past time for this subsidy to end.

Additionally, as the Company stated in its Initial Brief at page 28, in Ameren's last electric rate case before passage of the Energy Infrastructure Modernization Act ("EIMA"), Docket No. 11-0279, Ameren proposed phasing out the EDT subsidy for all DS-4 customers at the end of a three-year period. See Docket No. 11-0279, AIC Ex. 13.0E, February 18, 2011, at

20:426 to 22:453. This would have ended the subsidy by February 2014 – in other words, the subsidy *would have already ended* if the Company's proposal in Docket No. 11-0279 had been adopted. *Id.* at 21:436. That proceeding was withdrawn only due to passage of the Energy Infrastructure Modernization Act[1], and the Commission has not addressed Ameren's electric rate design since then. DS-4 customers have been aware for nearly three years, since the initiation of Docket No. 11-0279 on February 18, 2011, that Ameren proposed phasing out the EDT subsidy. They have known that they are paying less than the full EDT for longer than that.

The People recommend that the Proposed Order be modified as follows:

Exception No. 1 Proposed Language

> IIEC objects to the 0.05 ¢/kWh threshold, stating it would lead to outrageous percentage increases for DS-4 customers and that the rate moderation plan adopted should maintain gradualism and avoid rate shock, consistent with the Commission's expressed desire in Docket Nos. 09-0306, et al. and proper rate design. The AG objects equally strenuously stating that it results in customers in the DS-1, DS-2, DS-3, and DS-5 classes providing substantial subsidies to DS-4 customers. The AG advocates an immediate end to the subsidy by charging every customer class, regardless of rate zone, the same per-kWh EDT charge, equal to the Company's average EDT <u>per kWh</u> paid to the Illinois Department of Revenue. <u>The AG takes no position on the competing rate mitigation proposals, but advocates excluding the EDT adjustment from any rate mitigation constraint.</u> The Commercial Group states it is sympathetic to the concerns raised by both IIEC and the AG. It focuses on the modified three tier approach which would decrease the Company's first tier, 0.05¢/kWh restraint, to a 0.025¢/kWh restraint. The Commercial Group concludes the modified three tier approach is a reasonable means of balancing the interests of ratepayers on different sides of this issue. Staff joins IIEC in its concern about the high rate impact for certain customers and recommends adoption of IIEC's proposal to eliminate the 0.05 ¢/kWh constraint from

[1] See Docket No. 11-0279, Ameren's Motion to Withdraw Electric Tariff Sheets and Sever and Terminate Docket No. 11-0279, November 10, 2011.

> AIC's proposal, leaving the other two-tiers intact. Alternatively, Staff favors modifying the 0.05 ¢/kWh to a lower, 0.025 ¢/kWh constraint.
>
> Each of the parties and Staff's concerns have merit. Unfortunately there is no proposal that can address each of the concerns in a way that will satisfy all parties; however, it is certain that t~~. T~~he subsidies from the DS-1, DS-2, and DS-3 classes to the DS-4 class must end. The AG's rationale for an immediate end to the subsidies is well-founded as are IIEC's arguments regarding the size of the percentage increases under either the AG's or AIC's proposals. The Commission remains firmly committed to the principles of gradualism and avoidance of rate shock. At the same time, the Commission recognizes that the magnitude of the rate increases for the DS-4 class is a direct result of the magnitude of the subsidies. The Commission finds that the modified three tier approach, replacing the first tier 0.05¢/kWh restraint with a 0.025¢/kWh restraint to be the rate moderation approach which will end the subsidies in the least period of time without causing rate shock. The Commission believes this rate moderation approach best balances the competing interests identified by the parties. However, the urgency of ending the EDT subsidy warrants excluding changes to EDT-related customer charges from the rate moderation constraints. The Commission finds that the AG's proposal to charge every customer class the same per-kWh EDT charge should be adopted effective immediately.

III. CONCLUSION

WHEREFORE, the People of the State of Illinois respectfully request that the Commission enter a final order consistent with the recommendations in this Brief and adopt the Exception provided above.

Respectfully submitted,

PEOPLE OF THE STATE OF ILLINOIS

By Lisa Madigan, Attorney General

___________/s______________________

Susan L. Satter
Sameer H. Doshi
Assistant Attorneys General
Public Utilities Bureau
Illinois Attorney General's Office
100 West Randolph Street, 11th fl.
Chicago, Illinois 60601
Telephone: (312) 814-1104 (Satter)
Telephone: (312) 814-8496 (Doshi)
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